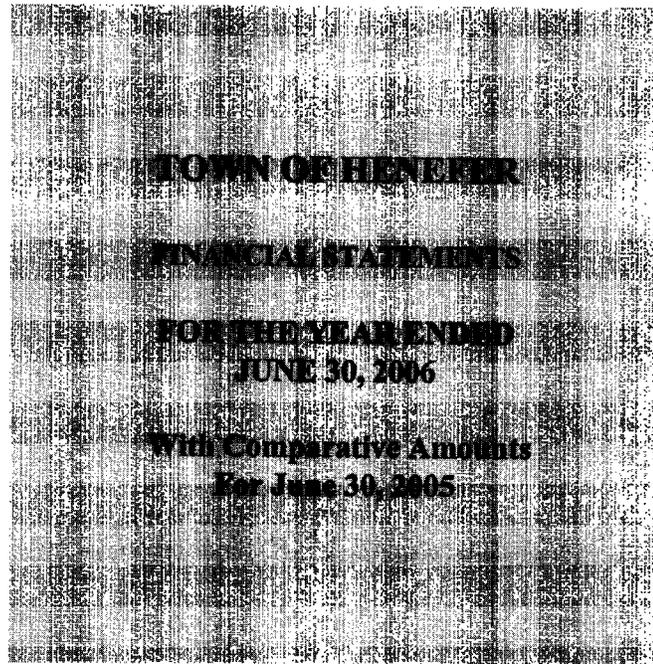




Peterson
Allred
Jackson



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INTRODUCTORY SECTION

Henefer Town, Incorporated

"Situated on the Famed Mormon Pioneer and Pony Express Trails"

Box 112 • Henefer, Utah 84033

November 20, 2006

Henefer Town Council
Henefer, Utah

Council:

It is with great pleasure that the financial statements for the Town of Henefer for the year ended June 30, 2006, is presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2006, in accordance with these requirements.

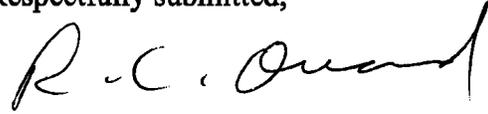
This report consists of management's representations concerning the finances of the Town of Henefer. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Henefer's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Henefer for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the

overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Henefer's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. C. Ovard". The signature is written in a cursive style with a large initial "R" and "O".

Mayor Ovard
Town of Henefer

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Henefer
Henefer, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Henefer, Utah (the Town), as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 20, 2006 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results for our audit.

The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Peterson Alfred Jackson

November 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Henefer, we offer readers of the Town of Henefer's financial statements this narrative overview and analysis of the financial activities of the Town of Henefer for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

- The total net assets of \$3,262,240 is made up of \$2,669,690 in capital assets net of related debt and \$592,550 in other net assets.
- In the General Fund, new asset additions equaled \$108,145.
- Total long-term liabilities of the Town were reduced by \$36,233.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Henefer's basic financial statements. The Town of Henefer's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Henefer's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the Town of Henefer's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Henefer is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Henefer that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Henefer also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- **Proprietary funds** - The Town of Henefer maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Henefer uses enterprise funds to account for its Water Utility and Waste Water Collection.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Henefer, assets exceed liabilities by \$3,262,240.

By far the largest portion of the Town of Henefer's net assets (82%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 262,723	\$ 253,861	\$403,186	\$ 368,702
Capital assets	<u>585,602</u>	<u>516,190</u>	<u>2,602,633</u>	<u>2,677,151</u>
Total assets	<u>848,325</u>	<u>770,051</u>	<u>3,005,819</u>	<u>3,045,853</u>
Long-term debt outstanding	—	—	518,545	554,778
Other liabilities	<u>67,903</u>	<u>45,527</u>	<u>5,456</u>	<u>13,745</u>
Total liabilities	<u>67,903</u>	<u>45,527</u>	<u>524,001</u>	<u>568,523</u>
Net assets:				
Invested in capital assets, net of debt	585,602	516,190	2,084,088	2,122,373
Restricted	102,979	70,632	91,646	91,881
Unrestricted	<u>91,841</u>	<u>137,702</u>	<u>306,084</u>	<u>263,076</u>
Total net assets	<u>\$ 780,422</u>	<u>\$ 724,524</u>	<u>\$2,481,818</u>	<u>\$2,477,330</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Program revenues:				
Charges for services	\$ 28,649	\$ 30,999	\$ 150,269	\$ 147,760
Operating grants & contributions	276	231	—	—
Capital grants & contributions	64,771	39,165	4,625	84,611
General revenues:				
Property taxes	37,798	35,307	—	—
Other taxes	64,818	60,121	—	—
Investment income	964	505	4,612	2,322
Other revenues	<u>735</u>	<u>567</u>	<u>—</u>	<u>—</u>
Total revenues	<u>198,011</u>	<u>166,895</u>	<u>159,506</u>	<u>234,693</u>
Expenses:				
General government	42,166	60,672	—	—
Intergovernmental	5,175	4,095	—	—
Highways/public improvements	42,129	38,060	—	—
Parks & recreation	52,643	48,596	—	—
Water	—	—	81,822	78,856
Waste water	—	—	<u>73,196</u>	<u>57,222</u>
Total expenses	<u>142,113</u>	<u>151,423</u>	<u>155,018</u>	<u>136,078</u>
Increase (decrease) in net assets	55,898	15,472	4,488	98,615
Transfer between funds	—	(10,000)	—	10,000
Increase in net assets after transfer	55,898	5,472	4,488	108,615
Net assets, beginning of year	<u>724,524</u>	<u>719,052</u>	<u>2,477,330</u>	<u>2,368,715</u>
Net assets, end of year	<u>\$ 780,422</u>	<u>\$ 724,524</u>	<u>\$2,481,818</u>	<u>\$2,477,330</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of the June 30, 2006, the Town's governmental fund (General) reported a fund balance of \$194,820. This represents a decrease of \$13,514 (6%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 52% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. It represents 63% of total tax revenues and represents 33% of total general fund revenues. This compares with 36% in the prior fiscal year ended June 30, 2005.

As stated earlier, the Town maintains two enterprise funds to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds includes the construction of park restrooms for \$82,450.

Significant changes in business-type activities include a \$36,233 decrease in debt due to regular principal payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$219,555 to a final budget of \$345,634 (57%). These increases were made to take advantage of expenses being higher than originally anticipated for buildings, streets, and park expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- The Town of Henefer's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$3,188,235 (net of accumulated depreciation) infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was .2% (due to depreciation exceeding new purchases).

Major capital asset events during the current fiscal year included the following:

- \$82,450 for park restrooms.
- \$17,700 for a new roof on a building.

TOWN OF HENEFER'S CAPITAL ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 191,959	\$ 13,500
Water shares	32,567	277,675
Buildings and improvements	239,220	-
System improvements	-	3,334,566
Infrastructure	556,228	-
Machinery & equipment	123,700	21,400
Less: Accumulated depreciation	<u>(558,072)</u>	<u>(1,044,508)</u>
Total	<u>\$ 585,602</u>	<u>\$ 2,602,633</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2005, the Town had total bonded debt outstanding of \$518,545. Of this amount \$518,545 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

TOWN OF HENEFER'S OUTSTANDING DEBT

	<u>Business-type Activities</u>
Revenue bonds	<u>\$ 518,545</u>
Total outstanding debt	<u>\$ 518,545</u>

The Town's total debt decreased by \$36,233 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

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TOWN OF HENEFER
STATEMENT OF NET ASSETS
JUNE 30, 2006
With Comparative Totals for June 30, 2005

ASSETS	Governmental	Business-type	Totals	
	Activities	Activities	2006	2005
Cash	\$ 113,535	\$ 293,871	\$ 407,406	\$ 395,625
Account receivable	7,500	17,669	25,169	17,258
Grants receivable		-	-	8,500
Taxes receivable	38,709	-	38,709	38,667
Restricted cash	94,585	91,646	186,231	155,383
Restricted taxes receivable	8,394	-	8,394	7,130
Capital assets				
Land	191,959	13,500	205,459	205,459
Water shares	32,567	277,675	310,242	310,242
Buildings and improvements	239,220	-	239,220	139,070
System improvements	-	3,334,566	3,334,566	3,330,095
Infrastructure	556,228	-	556,228	556,228
Machinery & equipment	123,700	21,400	145,100	137,105
Less: Accumulated Depreciation	(558,072)	(1,044,508)	(1,602,580)	(1,484,858)
Total assets	<u>848,325</u>	<u>3,005,819</u>	<u>3,854,144</u>	<u>3,815,904</u>
LIABILITIES				
Accounts payable	29,903	1,220	31,123	16,709
Interest payable	-	4,236	4,236	4,563
Bonds payable:				
Due within one year	-	36,095	36,095	35,458
Due in more than one year	-	482,450	482,450	519,320
Deferred revenue	38,000	-	38,000	38,000
Total liabilities	<u>67,903</u>	<u>524,001</u>	<u>591,904</u>	<u>614,050</u>
NET ASSETS				
Invested in capital assets, net of related debt	585,602	2,084,088	2,669,690	2,638,563
Restricted for:				
Debt service	-	91,646	91,646	91,881
Roads and town improvements	102,979	-	102,979	70,632
Unrestricted	91,841	306,084	397,925	400,778
Total Net Assets	<u>\$ 780,422</u>	<u>\$ 2,481,818</u>	<u>\$ 3,262,240</u>	<u>\$ 3,201,854</u>

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
With Comparative Amounts for June 30, 2005

	Program Revenues				Net Governmental Activities	Business-type Activities	Memorandum Totals	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions			2006	2005
Governmental activities:								
General government	\$ 42,166	\$ 1,382	\$ -	\$ -	\$ (40,784)	\$ -	\$ (40,784)	\$ (59,860)
Intergovernmental	5,175	10,001	-	-	4,826	-	4,826	10,817
Highways & public improvements	42,129	-	276	39,771	(2,082)	-	(2,082)	1,336
Parks, recreation & public property	52,643	17,266	-	25,000	(10,377)	-	(10,377)	(33,321)
Total governmental activities	142,113	28,649	276	64,771	(48,417)	-	(48,417)	(81,028)
Business-type activities:								
Water	81,822	89,329	-	4,625	-	12,132	12,132	88,100
Waste water collection	73,196	60,940	-	-	-	(12,256)	(12,256)	8,193
Total business-type activities	155,018	150,269	-	4,625	-	(124)	(124)	96,293

General Revenues:				
Taxes:				
Property taxes levied for general purposes		37,798	-	37,798
General sales taxes & highway sales taxes		64,818	-	64,818
Business licenses		735	-	735
Investment income		964	4,612	5,576
Transfers		-	-	-
Total general revenues & transfers		104,315	4,612	108,927
Change in net assets		55,898	4,488	60,386
Net assets - beginning		724,524	2,477,330	3,201,854
Net assets - ending		\$ 780,422	\$ 2,481,818	\$ 3,262,240
				\$ 3,201,854

See accompanying notes to the basic financial statements.

**TOWN OF HENEFER
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2006
With Comparative Totals for June 30, 2005**

	General	Total Governmental Funds	
		2006	2005
ASSETS			
Cash	\$ 113,535	\$ 113,535	\$ 144,562
Accounts receivable	7,500	7,500	-
Taxes receivable	38,709	38,709	38,667
Restricted assets:			
Cash	94,585	94,585	63,502
Taxes receivable	8,394	8,394	7,130
Total assets	\$ 262,723	262,723	253,861
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 29,903	29,903	7,527
Deferred revenue	38,000	38,000	38,000
Total liabilities	67,903	67,903	45,527
 Fund Balance:			
Reserved for roads	102,158	102,158	69,887
Reserved for liquor allotment	821	821	745
Unreserved - undesignated	91,841	91,841	137,702
Total fund balance	194,820	194,820	208,334
Total liabilities and fund balance	\$ 262,723		
 Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		585,602	516,190
Net assets reconciled to the Statement of Activities		\$ 780,422	\$ 724,524

See accompanying notes to the basic financial statements.

**TOWN OF HENEFER
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006
With Comparative Totals for June 30, 2005**

	General	Total Governmental Funds	
		2006	2005
Revenues:			
Taxes & special assessments	\$ 102,616	\$ 102,616	\$ 95,428
Licenses and permits	10,736	10,736	15,479
Intergovernmental	65,047	65,047	39,396
Charges for services	17,266	17,266	15,275
Investment income	964	964	505
Miscellaneous	1,382	1,382	812
Total revenues	198,011	198,011	166,895
Expenditures:			
Current:			
General government	57,765	57,765	60,731
Intergovernmental	5,175	5,175	4,095
Highways & public improvements	21,182	21,182	10,032
Parks, recreation & public property	127,403	127,403	39,921
Total expenditures	211,525	211,525	114,779
Excess of revenues over expenditures	(13,514)	(13,514)	52,116
Transfer to other funds	-	-	(10,000)
Excess of revenues over expenditures after transfer	(13,514)	(13,514)	42,116
Fund balances, beginning of year	208,334	208,334	166,218
Fund balances, end of year	\$ 194,820	\$ 194,820	\$ 208,334

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds \$ (13,514)

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

69,412

Change in net assets of governmental activities

\$ 55,898

**TOWN OF HENEFER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes:				
General property taxes	\$ 32,700	\$ 36,498	\$ 37,798	\$ 1,300
General sales & use taxes	53,000	63,141	64,818	1,677
Total taxes	<u>85,700</u>	<u>99,639</u>	<u>102,616</u>	<u>2,977</u>
Licenses & permits:				
Business licenses & permits	500	710	735	25
Non-business licenses & permits	5,105	10,215	10,001	(214)
Total licenses & permits	<u>5,605</u>	<u>10,925</u>	<u>10,736</u>	<u>(189)</u>
Intergovernmental revenues:				
Class "C" roads	36,000	37,058	39,771	2,713
State liquor allotment	100	276	276	-
State/Local Grants	1,000	25,000	25,000	-
Total intergovernmental revenues	<u>37,100</u>	<u>62,334</u>	<u>65,047</u>	<u>2,713</u>
Charges for services:				
Cemetery	9,900	8,967	8,249	(718)
Parks & recreation	500	750	975	225
Rents and concessions	7,500	7,802	8,042	240
Total charges for services	<u>17,900</u>	<u>17,519</u>	<u>17,266</u>	<u>(253)</u>
Miscellaneous:				
Interest	500	944	964	20
Other	1,000	1,052	1,382	330
Total Miscellaneous	<u>1,500</u>	<u>1,996</u>	<u>2,346</u>	<u>350</u>
Total Revenues	<u>147,805</u>	<u>192,413</u>	<u>198,011</u>	<u>5,598</u>

See accompanying notes to the basic financial statements.

**TOWN OF HENEFER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
General government:				
Administration	52,650	51,211	44,275	6,936
Building & grounds	10,000	30,000	13,490	16,510
Total general government	<u>62,650</u>	<u>81,211</u>	<u>57,765</u>	<u>23,446</u>
Intergovernmental:				
Building inspections	4,305	5,538	5,175	363
Total Intergovernmental	<u>4,305</u>	<u>5,538</u>	<u>5,175</u>	<u>363</u>
Highways & public improvements:				
Streets	63,500	93,885	21,182	72,703
Total highways & improvements	<u>63,500</u>	<u>93,885</u>	<u>21,182</u>	<u>72,703</u>
Parks, Recreation & Public Property:				
Parks and open spaces	60,100	112,000	96,229	15,771
Recreation	21,000	24,000	19,218	4,782
Cemetery	8,000	29,000	11,956	17,044
Total parks, recreation & public property	<u>89,100</u>	<u>165,000</u>	<u>127,403</u>	<u>37,597</u>
Total Expenditures	<u>219,555</u>	<u>345,634</u>	<u>211,525</u>	<u>134,109</u>
Net change in fund balance	(71,750)	(153,221)	(13,514)	139,707
Fund Balance at beginning of year	<u>208,334</u>	<u>208,334</u>	<u>208,334</u>	-
Fund Balance at end of year	<u>\$ 136,584</u>	<u>\$ 55,113</u>	<u>\$ 194,820</u>	<u>\$ 139,707</u>

See accompanying notes to the basic financial statements.

**TOWN OF HENEFER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
With Comparative Totals for June 30, 2005**

	WATER UTILITIES	WASTE WATER COLLECTION	MEMORANDUM TOTALS	
			2006	2005
ASSETS				
Current assets:				
Cash	\$ 193,947	\$ 99,924	\$ 293,871	\$ 251,063
Accounts receivable	11,092	6,577	17,669	17,258
Grant receivable	-	-	-	8,500
Restricted cash	46,210	45,436	91,646	91,881
Total current assets	251,249	151,937	403,186	368,702
Capital assets				
Land	-	13,500	13,500	13,500
Water shares	277,675	-	277,675	277,675
System improvements	1,654,047	1,680,519	3,334,566	3,330,095
Equipment	10,280	11,120	21,400	21,400
Less Accumulated depreciation	(454,059)	(590,449)	(1,044,508)	(965,519)
Total capital assets	1,487,943	1,114,690	2,602,633	2,677,151
TOTAL ASSETS	1,739,192	1,266,627	3,005,819	3,045,853
LIABILITIES				
Current liabilities:				
Accounts payable	464	756	1,220	9,182
Interest payable	3,836	400	4,236	4,563
Total current liabilities	4,300	1,156	5,456	13,745
Long-term liabilities:				
Bonds payable - due within a year	13,095	23,000	36,095	35,458
Due in more than one year	429,450	53,000	482,450	519,320
Total long -term liabilities	442,545	76,000	518,545	554,778
Total liabilities	446,845	77,156	524,001	568,523
NET ASSETS				
Invested in capital assets, net of related debt	1,045,398	1,038,690	2,084,088	2,122,373
Restricted	46,210	45,436	91,646	91,881
Unrestricted	200,739	105,345	306,084	263,076
Total net assets	\$ 1,292,347	\$ 1,189,471	\$ 2,481,818	\$ 2,477,330

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
With Comparative Totals for June 30, 2005

	WATER UTILITIES	WASTE WATER COLLECTIONS	MEMORANDUM TOTALS	
			2006	2005
OPERATING REVENUES:				
Charges for services	\$ 81,829	\$ 57,740	\$ 139,569	\$ 133,760
Other operating revenues	7,500	3,200	10,700	14,000
Total operating revenues	<u>89,329</u>	<u>60,940</u>	<u>150,269</u>	<u>147,760</u>
OPERATING EXPENSES				
Salary and wages	5,565	9,525	15,090	12,087
Other operating expenses	2,305	15,997	18,302	2,346
Supplies	8,489	12,136	20,625	21,903
Depreciation	44,326	34,663	78,989	76,996
Total operating expenses	<u>60,685</u>	<u>72,321</u>	<u>133,006</u>	<u>113,332</u>
Operating income	<u>28,644</u>	<u>(11,381)</u>	<u>17,263</u>	<u>34,428</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	2,196	2,416	4,612	2,322
CDBG grant	4,625	-	4,625	84,611
Interest charges	(21,137)	(875)	(22,012)	(22,746)
Total non-operating revenue (expense)	<u>(14,316)</u>	<u>1,541</u>	<u>(12,775)</u>	<u>64,187</u>
Change in net assets	14,328	(9,840)	4,488	98,615
Transfer from other funds	-	-	-	10,000
Change in net assets after transfer	14,328	(9,840)	4,488	108,615
Total net assets - beginning	<u>1,278,019</u>	<u>1,199,311</u>	<u>2,477,330</u>	<u>2,368,715</u>
Total net assets -ending	<u>\$ 1,292,347</u>	<u>\$ 1,189,471</u>	<u>\$ 2,481,818</u>	<u>\$ 2,477,330</u>

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006
With Comparative Totals for June 30, 2005

	WATER UTILITIES	WASTE WATER COLLECTIONS	MEMORANDUM TOTALS	
			2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 88,506	\$ 61,352	\$ 149,858	\$ 147,012
Payments to suppliers	(10,586)	(28,130)	(38,716)	(24,650)
Payments to employees	(5,565)	(9,525)	(15,090)	(12,087)
Net cash provided (used) by operating activities	72,355	23,697	96,052	110,275
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of system improvements	(4,471)	-	(4,471)	(96,040)
Proceeds from capital grant	4,625	-	4,625	84,611
Transfer from other funds	-	-	-	10,000
Principal paid on capital debt	(13,233)	(23,000)	(36,233)	(35,965)
Interest paid on capital debt	(21,137)	(875)	(22,012)	(22,746)
Net cash provided (used) by capital and related financing activities	(34,216)	(23,875)	(58,091)	(60,140)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	2,196	2,416	4,612	2,322
Net increase (decrease) in cash and cash equivalents	40,335	2,238	42,573	52,457
Cash and equivalents at beginning of year	199,822	143,122	342,944	290,487
Cash and equivalents at end of year	\$ 240,157	\$ 145,360	\$ 385,517	\$ 342,944
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 28,644	\$ (11,381)	\$ 17,263	\$ 34,428
Adjustments to reconcile net income from operations to net cash provided by operating activities:				
Depreciation	44,326	34,663	78,989	76,996
Changes in assets & liabilities:				
Decrease (increase) in receivables	7,677	412	8,089	(9,248)
Increase (decrease) in accruals	(8,292)	3	(8,289)	8,099
Total adjustments	43,711	35,078	78,789	75,847
Net cash provided (used) by operating activities:	\$ 72,355	\$ 23,697	\$ 96,052	\$ 110,275

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

The Waste Water Collection fund accounts for the operation and maintenance of the Town owned collection system for wastewater.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	40-50 years
Buildings	20-30 years
Machinery and equipment	5-10 years
Roads and infrastructure	20 years
Improvements other than buildings	20 years

Property Tax

Summit County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing.

Capitalized Interest

The Town capitalizes interest costs and interest earned as part of the cost of constructing various buildings, sewer, and water projects when material. Interest is only capitalized in proprietary activities.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$1,143,674
Accumulated depreciation	<u>(558,072)</u>
Total difference	<u>\$ 585,602</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$108,145
Depreciation expense	<u>(38,733)</u>
Net difference as reported	<u>\$ 69,412</u>

Note 2: Legal Compliance - Budgets/Statutory

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 3: Cash

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$496,476 of the local government's bank balances of \$596,476 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Note 4: Accounts receivable

Henefer Town had accounts receivable as of June 30, 2006 as follows:

Sewer services	\$ 7,457	
less allowance for bad debt	<u>(880)</u>	
Total sewer		\$ 6,577
Water services	12,027	
less allowance for bad debt	<u>(935)</u>	
Total water		<u>11,092</u>
Total proprietary receivable		<u>\$17,669</u>

Note 5: Restricted assets

The total restricted assets on the balance sheet are comprised of the following cash and receivables:

General fund:	
Cash - liquor allotment	\$ 821
Cash - Class C	93,764
Accounts receivable - Class C	<u>8,394</u>
Total general fund	<u>\$ 102,979</u>
Water fund:	
Cash - 1993A revenue bond sinking	\$ 9,414
Cash - 1993A revenue bond reserve	13,140
Cash - 1993B revenue bond sinking	1,816
Cash - 1993B revenue bond reserve	<u>21,840</u>
Total water fund	<u>\$ 46,210</u>

Sewer fund:	
Cash - 1974 bond sinking/ reserve	\$ 5,436
Cash - 1988 revenue bond sinking	10,000
Cash - 1988 revenue bond reserve	20,000
Cash - 1988 bond repair and replacement reserve	<u>10,000</u>
 Total sewer fund	 <u>\$ 45,436</u>

Note 6: General fixed assets

General fixed asset changes occurring for the year ended June 30, 2006 are as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Land:				
Land	\$ 191,959	\$ _____	\$ _____	\$ 191,959
Buildings:				
Buildings	<u>17,525</u>	<u>100,150</u>	_____	<u>117,675</u>
Improvements other than buildings:				
Parks	111,545			111,545
Cemetery well	<u>10,000</u>			<u>10,000</u>
Total improvements other than buildings	<u>121,545</u>			<u>121,545</u>
Furniture, fixtures and equipment:				
Equipment	29,434			29,434
Vehicles	8,840	7,995		16,835
Office equipment	14,171			14,171
Recreation equipment	<u>63,260</u>			<u>63,260</u>
Total furniture fixtures and equipment	<u>115,705</u>	<u>7,995</u>		<u>123,700</u>
Other assets:				
Water shares	<u>32,567</u>			<u>32,567</u>
Infrastructure	<u>556,228</u>			<u>556,228</u>
Subtotal	<u>1,035,529</u>	<u>108,145</u>		<u>1,143,674</u>
Less: accumulated depreciation	<u>(519,339)</u>	<u>(38,733)</u>		<u>(558,072)</u>
Total assets	<u>\$ 516,190</u>	<u>\$ 69,412</u>	\$ _____	<u>\$ 585,602</u>

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 1,880
Streets	28,942
Public safety	221
Parks and recreation	<u>7,690</u>
 Total depreciation expense	 <u>\$ 38,733</u>

Note 7: Changes in long-term debt

The following is a summary of long-term debt transactions of the Town's proprietary fund types for the year ended June 30, 2006:

Bonds payable at July 1, 2005	\$ 554,778
Less: regular payment of principal	<u>(36,233)</u>
Bonds payable at June 30, 2006	<u>\$ 518,545</u>
Due within one year	<u>\$ 36,095</u>

Bonds and notes payable at June 30, 2006 are comprised of the following individual issues:

\$65,000 sewer revenue bonds due to the Farmer's Home Administration in variable annual installments ranging from \$3,150 to \$4,025 including interest at 5%. Payments of interest and principal are made from the sinking fund annually on January 1. The principal and interest will be retired on January 1, 2011.	\$ 16,000
\$400,000 sewer non-interest bearing revenue bonds due to the Water Pollution Control in annual installments of \$20,000. The principal will be retired on January 1, 2009.	<u>60,000</u>
Total sewer bonds payable	<u>76,000</u>
\$209,226 water revenue bonds due to the Permanent Community Impact Board in variable annual installments ranging from \$12,225 to \$13,140 including interest at 3.5%. Payments of interest and principal are made from the sinking fund annually on October 1. The principal and interest will be retired on October 1, 2018.	130,000
\$363,900 water revenue bonds due to the Farmers Home Administration. Payments of principal and interest at 5.25% are due on the 10th of each month in the amount of \$1,816. The principal and interest will be retired on September 10, 2034.	<u>312,545</u>
Total water bond payable	<u>442,545</u>
Total bonds payable	<u>\$ 518,545</u>

The following is a summary of annual bond maturities and interest requirements:

<u>Year Ending</u> <u>June 30</u>	<u>Debt</u> <u>Outstanding</u>
2007	\$ 58,142
2008	57,424
2009	58,782
2010	38,292
2011	37,302
2012 - 2016	172,650
2017 - 2021	146,445
2022 - 2027	108,960
2028 - 2032	108,960
2033 - 2036	<u>61,980</u>
 Total	 848,937
 Less Interest	 <u>(330,392)</u>
 Outstanding Principal	 <u>\$ 518,545</u>

Note 8: Insurance and bond coverage

During the 2005-2006 fiscal year, the Town of Henefer has insurance and bonding coverage as follows:

<u>Description</u>	<u>Issuer/Policy</u>	<u>Limits</u>	<u>Expiration Date</u>
Insurance:			
Comprehensive general liability	Utah Local Gov. Trust (11670-GL2005)	\$2,000,000	Continuous
Auto liability	Utah Local Gov. Trust (11670-GL2005)	2,000,000	Continuous
Building Property	Unigard (PX809764)	481,561 5,279	7-01-06
Auto physical damage	Unigard Ins. Company (BA900005)	15,000	7-01-06
Treasurer's bond	Hartford Insurance Co. (34BSBBF0549)	50,000	9-01-06
Position schedule bond Mayor, Clerk, Council member	Hartford Insurance Co. (34BPEAW0380)	40,000 each	7-07-07

Note 9: Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 10: Utility users and rates

The Town of Henefer sewer utility fund services both residential and commercial users. As of June 30, 2006, sewer and water users were categorized as follows:

	<u>Sewer</u>	<u>Water</u>
Residential	246	258
Commercial	<u>10</u>	<u>10</u>
Total	<u>256</u>	<u>273</u>

Utility rates as of June 30, 2006 were as follows:

	<u>Active</u>	<u>Inactive (vacant dwellings)</u>
Water Rates:		
Standard monthly services	\$22.00	\$10.00
Excess of 25,000 - 50,000 gallons (per 1,000 gallons)	\$ 1.00	
Over 50,000 gallons	\$ 1.50	
Sewer Rates:		
Standard monthly services	\$20.00	\$ 7.00

Note 11: Segment information

The following information is presented for the utility funds of Henefer Town:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
<u>Water fund:</u>				
Fixed assets	\$ 1,937,531	\$ 4,471	\$	\$ 1,942,002
Accumulated depreciation	409,733	44,326		454,059
<u>Sewer fund:</u>				
Fixed assets	1,705,139			1,705,139
Accumulated depreciation	555,786	34,663		590,449

Net working capital for the utility funds are calculated as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Current Assets:		
Cash	\$ 240,157	\$ 145,360
Receivables	11,092	6,577
Less Current Liabilities:		
Accounts payable	(464)	(756)
Current portion of long-term debt	<u>(13,095)</u>	<u>(23,000)</u>
Net Working Capital	<u>\$ 237,690</u>	<u>\$ 128,181</u>

Note 12: Reserved fund equity

Amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are comprised of the following:

General fund:	
Reserved - liquor	\$ 821
Reserved - Class C roads	<u>102,158</u>
Total General	<u>\$102,979</u>
Water fund (retained earnings):	
Reserved - sinking/reserve requirements	<u>\$ 46,210</u>
Total Water	<u>46,210</u>
Sewer fund (retained earnings):	
Reserved - sinking/reserve requirements	<u>45,436</u>
Total Sewer	<u>45,436</u>
Total Enterprise	<u>\$ 91,646</u>



Peterson
Allred
Jackson

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council
Town of Henefer
Henefer, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Henefer, Utah (the Town) as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Henefer in a separate letter dated November 20, 2006.

This report is intended for the information of the Town Council and management, and certain legislative bodies and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alfred Jackson

November 20, 2006



Peterson
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**INDEPENDENT AUDITOR'S REPORT ON
STATE LEGAL COMPLIANCE**

Honorable Mayor and Town Council
Town of Henefer
Henefer, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Henefer, Utah (the Town) for the year ended June 30, 2006, and have issued our report thereon dated November 20, 2006. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The Town did not receive any nonmajor grants.

Our audit also included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Road Funds
Purchasing Requirements	Liquor Law Enforcement
Budgetary Compliance	Other General Issues
Truth in Taxation & Property Tax Limitations	

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Town of Henefer, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Peterson Alured Jackson

November 20, 2006



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

November 20, 2006

Mayor Randy Ovard
Town of Henefer
Henefer, Utah

Dear Mayor Ovard:

In planning and performing our audit of the financial statements of the Town of Henefer, Utah (the Town) for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to internal control structure (other than "reportable conditions") and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the Town's financial statements for the year ended June 30, 2006 and are not based on a special study. Our comments and principal recommendations are summarized below.

PRIOR YEAR FINDINGS

No prior year findings.

CURRENT YEAR FINDINGS

Finding: Segregation of Duties. We realize that the size of the Town results in certain personnel restraints, which make it difficult for you to segregate certain duties. However, even though these restraints exist we feel that certain steps could take place to mitigate the risk of certain incompatible duties.

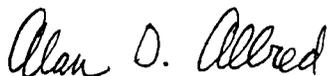
Recommendation: Assign a member of the Council to review bank statements and reconciliations. Approval of all expenses (including cash withdrawals for celebration change accounts) should be done by an individual other than the Clerk.

Management response: The Mayor will approve all expenses and bank reconciliations not approved by the Council.

In conclusion, we wish to recognize all town personnel and administrators for their excellent service provided to the Town of Henefer. We would especially like to recognize LaNae Ovard, who has been most cooperative in assisting us in accomplishing the audit for the 2006 fiscal year. We also would like to recognize the Mayor and Council for their dedicated efforts in behalf of the Town. The performance of the Town of Henefer annual audit has been an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred".

Alan D. Allred, CPA